UNITED
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E/C.10/1992/L.5
7 April 1992

ORIGINAL: ENGLISH

COMMISSION ON TRANSNATIONAL CORPORATIONS
Eighteenth session
8-15 April 1992
Item 2 of the provisional agenda*

ADOPTION OF THE AGENDA AND OTHER ORGANIZATIONAL MATTERS

Status of documentation for the session

Note by the Secretary-General

1. By Economic and Social Council resolutions 1979/1 and 1979/69 on the control and limitation of documentation and 1988/77 on the revitalization of the Council, the Council reiterated that the Secretariat should circulate the relevant documentation in all the working languages six weeks before the opening of the sessions of the Council and its subsidiary organs, and invited the Secretariat to take steps to ensure effective compliance with rule 13, paragraph 4, of the rules of procedure of the Council. By resolution 1979/69, the Council requested the Secretariat to inform the Council and its subsidiary bodies, in the relevant annotated agenda, which documents had not been issued in accordance with the six-week rule, with a full explanation of the reasons that prevented their circulation.

2. In view of the schedule of the second part of the eighteenth session of the Commission on Transnational Corporations (8-15 April 1992), the documentation for the session should have been submitted to the Division of Economic and Social Council Affairs and Inter-Agency Coordination by 22 January 1992 and circulated by 26 February 1992. The documents not circulated by that date are listed in the annex below.

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* E/C.10/1992/1/Add.1.

ANNEX

Status of documentation as at 7 April 1992

Agenda item	Document and symbol	Date of submission to the Division of Economic and Social Council Affairs and Inter-Agency Coordination	Date of submission to the Office of Conference Services	Actual or projected date of issue
2	Adoption of the agenda and organization of work			
	Provisional agenda (E/C.10/1992/1/Add.1)	12 February 1992	20 February 1992	Issued
3	General discussion on transnational corporations in the world economy and trends in foreign direct investment in developing countries			
	Report of the Secretary-General on trends in foreign direct investment (E/C.10/1992/3)	22 January 1992	5 February 1992	Issued
	Report of the Secretary-General on transnational corporations and economic growth through technology (E/C.10/1992/4)	23 January 1992	11 February 1992	Issued
	Report of the Secretary-General entitled "Transnational corporations in the new world economy: issues and policy implications (E/C.10/1992/5)	22 January 1992	5 February 1992	Issued
4	Transnational corporations and the environment*			

* Item considered at the first part of the session, held from 23 to 25 January 1992.

Agenda item	Document and symbol	Date of submission to the Division of Economic and Social Council Affairs and Inter-Agency Coordination	Date of submission to the Office of Conference Services	Actual or projected date of issue
5	Transnational corporations in South Africa			
	Report of the Secretary-General on the role of transnational corporations in South Africa (E/C.10/1992/6 and Corr.1)	23 January 1992	2 March 1992	Issued
		(Corr) 24 March 1992	24 March 1992	Issued
	List of transnational corporations with interests in South Africa (E/C.10/1992/7)	20 March 1992	30 March 1992	10 April 1992
6.	International arrangements and agreements relating to transnational corporations			
	Report of the Secretary-General on the international framework for transnational corporations (E/C.10/1992/8)	27 January 1992	18 February 1992	Issued
7.	Activities of the United Nations Centre on Transnational Corporations and its joint units			
	Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and of the joint units established with the regional commissions (E/C.10/1992/9)	27 January 1992	18 February 1992	Issued
	Report of the Secretary-General on experience gained in technical cooperation activities involving assistance in formulating negotiation strategies (E/C.10/1992/10)	22 January 1992	25 February 1992	Issued

Agenda item	Document and symbol	Date of submission to the Division of Economic and Social Council Affairs and Inter-Agency Coordination	Date of submission to the Office of Conference Services	Actual or projected date of issue
	Report of the Secretary-General on information requirements for assessing the performance of corporate obligations (E/C.10/1992/11)	22 January 1992	11 February 1992	Issued
	Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its tenth session (E/C.10/1992/12)	20 March 1992	26 March 1992	8 April 1992

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COMMISSION ON TRANSNATIONAL CORPORATIONS
Eighteenth session
23-25 January and 8-15 April 1992
Agenda items 3, 6 and 7

GENERAL DISCUSSION ON TRANSNATIONAL CORPORATIONS IN THE WORLD ECONOMY AND TRENDS IN FOREIGN DIRECT INVESTMENT IN DEVELOPING COUNTRIES

INTERNATIONAL ARRANGEMENTS AND AGREEMENTS RELATING TO TRANSNATIONAL CORPORATIONS

ACTIVITIES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS AND ITS JOINT UNITS

Pakistan*: draft resolution

Activities of the United Nations Centre on Transnational Corporations

The Economic and Social Council,

1. Takes note of the reports of the Secretary-General on trends in foreign direct investment, 1/ on transnational corporations and economic growth through technology, 2/ on transnational corporations in the new world economy: issues and policy implications, 3/ on the international framework

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* On behalf of the States Members of the United Nations that are members of the Group of 77.

1/ E/C.10/1992/3.

2/ E/C.10/1992/4.

3/ E/C.10/1992/5.

for transnational corporations 4/ and on the activities of the United Nations Centre on Transnational Corporations and of the joint units established with the regional commissions; 5/

2. Reaffirms that the Commission on Transnational Corporations and the Centre on Transnational Corporations within the Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat are the focal points within the United Nations system for all matters concerning foreign direct investment and the activities of transnational corporations;

3. Emphasizes the importance of the research, technical cooperation, advisory services, training programmes and information services provided by the Centre to the States Members of the United Nations and, to this end, affirms the importance of maintaining these activities and programmes as well as improving upon them, as appropriate, under the new administrative arrangements;

4. Requests the Centre to contribute towards increasing the transparency in the area of foreign direct investment by compiling and disseminating information provided by Member States, on a voluntary and regular basis, on their laws, regulations and administrative provisions in this field;

5. Takes note of the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting 6/ and reaffirms the importance of its work in contributing towards greater transparency in the activities of transnational corporations;

6. Requests the Centre to continue to include in its technical cooperation activities advice on and the promotion of interregional, intraregional and subregional economic integration, including the possibilities and potential for strengthening economic and technical cooperation among developing countries; in this context, further requests the Centre to examine ways and means of assisting developing countries to set up joint ventures;

7. Calls upon the developed countries to encourage transnational corporations to expand their economic activities in the developing countries and facilitate the transfer of environmentally sound technology through the adoption of innovative incentives;

4/ E/C.10/1992/8.

5/ E/C.10/1992/9.

6/ E/C.10/1992/12.

8. Requests the Centre to strengthen its activities in matters relating to the role of transnational corporations in the development of small and medium-sized enterprises, including in the transfer of environmentally sound technology, and in the setting up of joint ventures between transnational corporations and local enterprises in developing countries;

9. Requests the Centre to study the effects of deregulation and privatization policies in developing countries on attracting foreign direct investment flows and, in this context, to make appropriate recommendations thereon;

10. Takes note of the fact that the ever-increasing role of transnational corporations in the international system of production and exchange has enhanced the need for international arrangements and agreements on transnational corporations and, to this end, invites the Centre to continue its useful work in this area;

11. Encourages the Centre to strengthen and further develop the functions of the joint units established with the regional commissions, especially by developing programmes that are adapted to the needs of the respective regions;

12. Calls on all donor countries, in particular the developed countries, to provide extra financial support for the research, advisory and information work of the Centre so as to contribute further to a better understanding between transnational corporations and developing countries;

13. Requests the Centre to examine ways and means of strengthening activities in promoting foreign direct investment inflows to developing countries, in particular the least developed countries and the countries in Africa that have faced a drop in foreign direct investment inflows, and to report thereon to the Commission at its nineteenth session;

14. Takes note of the conclusions of the Hague Symposium on Globalization and Developing Countries, and requests the Secretary-General, in collaboration with the United Nations Conference on Trade and Development and other organizations, to develop a joint programme on the interrelationship of investment, trade, technology and development, with a view to enhancing the contribution of transnational corporations to the development of developing countries through trade and investment, for consideration by the Commission at its nineteenth session.

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COMMISSION ON TRANSNATIONAL CORPORATIONS
Eighteen session
23-25 January and 8-15 April 1992
Agenda item 5

TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA

Liberia*: draft resolution

Activities of transnational corporations in South Africa

The Economic and Social Council,

Recalling its resolution 1991/54 of 26 July 1991,

Taking note with appreciation of the report of the Secretary-General on the role of transnational corporations in South Africa, 1/

Reaffirming the Declaration on Apartheid and its Destructive Consequences in Southern Africa, adopted by the General Assembly at its sixteenth special session, 2/ which contains guidelines on how to end apartheid through genuine negotiations,

Noting the recent developments in South Africa, including the repeal or amendment of the major apartheid laws, the formation of the Patriotic/United Front, the ongoing process of negotiations, inter alia, under the auspices of the Convention for a Democratic South Africa, and the outcome of the whites-only referendum of 17 March 1992,

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* On behalf of the African States and in accordance with rule 72 of the rules of procedure of the Economic and Social Council.

1/ E/C.10/1992/6 and Corr.1.

2/ General Assembly resolution S-16/1, annex.

Gravely concerned about the escalating apartheid-inspired violence in South Africa despite the signing of the National Peace Accord on 14 September 1991,

Reiterating the urgent need for the removal of the remaining obstacles to the creation of an atmosphere conducive to constitutional negotiations,

Mindful of its obligations towards the complete eradication of apartheid, reaffirmed in General Assembly resolutions 44/244 of 17 September 1990, 45/176 A of 19 December 1990 and 46/79 A of 13 December 1991,

1. Determines that, despite some recent positive developments in South Africa, the system of apartheid is yet to be totally eradicated;

2. Reaffirms that Governments, entrepreneurs and enterprises, including transnational corporations, have comprehensive responsibilities to deny sustenance to the apartheid system and to remove the gross socio-economic inequities caused by decades of apartheid;

3. Calls upon transnational corporations to abide by the relevant United Nations resolutions urging the international community to give its full and concerted support to the vulnerable and critical process now under way in South Africa through the phased application of appropriate economic pressure on the South African regime, as warranted by positive developments such as agreement by the parties on transitional arrangements and agreement on a new non-racial and democratic constitution;

4. Further calls upon transnational corporations and multilateral financial and development institutions to provide assistance to the opponents of apartheid and the disadvantaged sectors of the South African society, particularly in the fields of health, education and training, employment, housing and integration of environment and development;

5. Requests the Secretary-General:

(a) In close cooperation with the relevant organs of the United Nations, to continue the useful work of collecting and disseminating information on the activities of transnational corporations in South Africa, including the list of transnational corporations conducting operations there;

(b) To continue preparing studies on the level and form of operation by transnational corporations in South Africa, including their non-equity business arrangements and their involvement in particular sectors of the South African economy, and to prepare an updated study on the responsibilities of home countries with respect to the transnational corporations operating in South Africa in violation of relevant resolutions and decisions of the United Nations;

(c) To continue examining possible contributions of transnational corporations to the construction of a united and non-racial democratic South

Africa in the economic and social fields, taking into account the special need for the development of human resources, particularly the training of black South African entrepreneurs;

(d) To report to the Commission on Transnational Corporations at its nineteenth session, the Economic and Social Council, the General Assembly and the Security Council on the implementation of the present resolution.

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COMMISSION ON TRANSNATIONAL CORPORATIONS
Eighteen session
23-25 January and 8-16 April 1992
Agenda item 5

TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA

Liberia*: revised draft resolution

Activities of transnational corporations in South Africa

The Economic and Social Council,

Recalling its resolution 1991/54 of 26 July 1991,

Taking note with appreciation of the report of the Secretary-General on the role of transnational corporations in South Africa, 1/

Recalling the Declaration on Apartheid and its Destructive Consequences in Southern Africa, adopted by the General Assembly at its sixteenth special session, 2/ which contains guidelines on how to end apartheid through genuine negotiations,

Welcoming the recent developments in South Africa, including the repeal or amendment of the major apartheid laws, the formation of the Patriotic/United Front, the ongoing process of negotiations, inter alia, under the auspices of the Convention for a Democratic South Africa, and the outcome of the whites-only referendum of 17 March 1992,

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* On behalf of the African States and in accordance with rule 72 of the rules of procedure of the Economic and Social Council.

1/ E/C.10/1992/6 and Corr.1.

2/ General Assembly resolution S-16/1, annex.

Gravely concerned about the escalating politically inspired violence in South Africa despite the signing of the National Peace Accord on 14 September 1991,

Reiterating the urgent need for the removal of the remaining obstacles to the creation of an atmosphere conducive to constitutional negotiations,

Mindful of its obligations towards the complete eradication of apartheid, reaffirmed in General Assembly resolutions 44/244 of 17 September 1990, 45/176 A of 19 December 1990 and 46/79 A of 13 December 1991,

1. Welcomes the recent positive political developments in South Africa, which enhance the possibilities for the total eradication of apartheid in South Africa;

2. Reaffirms that Governments, entrepreneurs and enterprises, including transnational corporations, have been continuously contributing to the demise of the apartheid system, and invites them to give their full and concerted support to this end, as well as to take appropriate measures regarding the valuable and critical process now under way in South Africa, with the aim of achieving the total eradication of the apartheid system and the establishment of a united non-racial and democratic South Africa;

3. Requests the Secretary-General:

(a) In close cooperation with the relevant organs of the United Nations, to continue the work of collecting and disseminating information on the activities of transnational corporations in South Africa, including the list of transnational corporations conducting operations there;

(b) To continue preparing studies on the level and form of operation by transnational corporations in South Africa, including their non-equity business arrangements and their involvement in particular sectors of the South African economy, and to prepare an updated study on the responsibilities of home countries with respect to the transnational corporations operating in South Africa in violation of relevant resolutions and decisions of the United Nations;

(c) To continue examining possible contributions of transnational corporations to the construction of a united and non-racial democratic South Africa in the economic and social fields, taking into account the special need for the development of human resources, particularly the training of black South African entrepreneurs, employment, housing and health;

(d) To report to the Commission on Transnational Corporations at its nineteenth session, the Economic and Social Council and the General Assembly on the implementation of the present resolution.

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E/C.10/1992/L.8
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COMMISSION ON TRANSNATIONAL CORPORATIONS
Eighteenth session
23-25 January and 8-15 April 1992
Agenda item 10

ADOPTION OF THE REPORT OF THE COMMISSION ON THE SECOND PART OF ITS EIGHTEENTH SESSION

Rapporteur: Mr. Wojciech PONIKIEWSKI (Poland)

Draft report

Chapter __

ORGANIZATION OF THE SESSION

A. Opening and duration of the session

1. The Commission on Transnational Corporations held the second part of its eighteenth session at United Nations Headquarters from 8 to 15 April 1992. The Commission held ___ meetings (3rd to __).

2. The Chairman made an opening statement.

3. Opening statements were also made by the Officer-in-Charge of the Department of Economic and Social Development and the Director of the Division of Transnational Corporations and Management.

B. Attendance

4. The following States members of the Commission attended the session:

5. The following expert advisers attended the session:

6. The following States Members of the United Nations were represented by observers:

7. The following specialized agencies were represented:

8. The following non-governmental organizations in consultative status with the Economic and Social Council, category I, were represented:

9. The following non-governmental organizations in consultative status with the Economic and Social Council, category II, were represented:

C. Election of officers

10. At its 1st and 2nd meetings, on 23 and 25 January 1992, the Commission had elected a Chairman, two Vice-Chairmen and a Rapporteur (see E/1992/26, para. 32).

11. At the 4th meeting, on 8 April, the Commission elected by acclamation Ms. Lucille Mair (Jamaica) as Vice-Chairman of the Commission to replace Mr. Herbert Samuel Walker (Jamaica), who had been elected at the 2nd meeting of the Commission, on 25 January.

12. The Bureau of the Commission, as elected at its 1st, 2nd and 4th meetings, on 23 and 25 January and 8 April 1992, was thus as follows:

Chairman: Mr. Farook Sobhan (Bangladesh)

Vice-Chairmen: Mr. Albert Mudenda Muchanga (Zambia)
Ms. Lucille Mair (Jamaica)

Rapporteur: Mr. Wojciech Ponikiewski (Poland)

D. Adoption of the agenda and organization of work

13. At its 3rd meeting, on 8 April, the Commission adopted the provisional agenda contained in document E/C.10/1992/1/Add.1 (see annex I).

E. Documentation

14. The documents before the Commission at the second part of its eighteenth session are listed in annex II.

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COMMISSION ON TRANSNATIONAL CORPORATIONS
Eighteenth session
23-25 January and 8-15 April 1992
Agenda item 10

ADOPTION OF THE REPORT OF THE COMMISSION ON THE SECOND PART OF ITS EIGHTEENTH SESSION

Rapporteur: Mr. Wojciech PONIKIEWSKI (Poland)

Draft report

Addendum

Chapter ___

TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA

The Commission considered item 5 of its agenda at its sixth and seventh meetings on 10 April 1992. It had before it the following documents:

(a) Report of the Secretary-General on the role of transnational corporations in South Africa (E/C.10/1992/6);

(b) Report of the Secretary-General on transnational corporations with interests in South Africa (E/C.10/1992/7).

In introducing the item, the Assistant Director said that the country had reached a turning-point in its history, demonstrated by the positive results of the referendum of 17 March in which 69 per cent of the white electorate had voted for constitutional reform. A successful political transformation would require that economic prosperity be spread among a broader base of the population. At the present time, inequalities persisted, evidenced by the fact that the black population owned only 13 per cent of the land. There was also a high degree of concentration in the economy, as shown by the fact that six corporations owned over 85 per cent of the shares of the Johannesburg Stock Exchange.

The Secretary-General's report on the role of transnational corporations in South Africa gave an overall assessment of the impact of sanctions. The report also presented a rather optimistic overall picture for the long term, particularly as the economy was shifting towards a broader manufacturing base and as the foreign trade and investment decisions that were put on hold before the referendum were now likely to resume pace.

There was agreement among the delegations that sanctions had played a positive role in support of the internal struggle and in influencing the Government of South Africa to take steps to dismantle apartheid. It was now up to the democratic forces of the country to create new economic and commercial opportunities. Delegations commended the Centre for the objectivity and balanced nature of the report on TNCs in South Africa and for the timeliness of its conclusions, which were in line with the evolving situation.

There were two prevailing views among delegations regarding the monitoring of developments by the United Nations in the area. One view stressed that the phased application of appropriate economic pressure on South Africa was still required until the complete dismantlement of apartheid had taken place. A more far-reaching view was that restrictive measures had been or were in the process of being lifted in response to the changes taking place in South Africa towards a democratic constitution and that the focus of the role of the United Nations in the area should shift to how transnational corporations could promote economic and social development in a new democratic South Africa, in the context of development in the region as a whole.

Within the latter context, one delegation, speaking on behalf of a group of States, felt that gradual decisions were needed: in the first stage a decision to lift the ban on new investments, and later a decision to lift the oil embargo and the restrictive measures in the cultural, scientific, and sporting fields; those actions would encourage positive developments in South Africa, in particular the establishment of an interim Government. This group of States was in the process of reviewing the latest application of the Code of Conduct of the European Community in the light of its usefulness as a means of promoting and influencing fundamental changes in South Africa. Through implementation of the Code, European companies had contributed to the dissemination of goals pursued by the European Community and its Member States with regard to democracy, a market economy and improved labour relations, which are a major issue under discussion within the process of a Convention for a Democratic South Africa (CODESA). This group of States was well aware of the important role TNCs could play in South Africa, in their role in the creation of much needed jobs and improvement of labour relations, which would benefit the black workforce, and in the potential activities of TNCs in training and upgrading qualified black Africans. The European Community felt that a peaceful post-apartheid South Africa would have a better chance of attracting investment and creating conditions for stable economic growth, which would benefit in particular the black workforce but also the surrounding States of the region. Regarding the future work of the Commission concerning South Africa, current changes should be taken into consideration.

Another delegation said that as it was stated in the Secretary-General's report, positive developments had taken place towards a new and democratic regime in South Africa. Among the major developments in that direction were the strong endorsement of the reform by President De Klerk and by the overwhelming majority in the referendum held last month. That delegation regarded the reform process under way as irreversible. The role of the Commission would be to focus upon how transnational corporations could promote the efforts for economic and social development of a new and democratic South Africa as part of the development of the southern African region.

One delegation, reflecting upon the view that South Africa might generate growth for the whole region, as well as the rest of Africa, felt that the role of the new South Africa emerging from the ruins of an apartheid society was not straightforward. A democratic South Africa could not be a donor to the rest of Africa because the legacy of apartheid would require it to use its domestic resources in laying the foundation of true liberty among the victims of apartheid by spreading wealth to them through employment, an equitable incomes policy, housing, health, education and training. There would simply be no surplus funds for aiding Africa. Therefore, the best possible outcome was the generation and exploitation of mutually advantageous arrangements between South Africa and the rest of Africa. The Organization of African Unity had given itself the challenge of developing an African Economic Community within 33 years. The first step involved the creation of subregional integration bodies in parts of Africa where they did not exist. The challenge of harmonizing integration bodies in eastern and southern Africa was massive. The question was under what framework a democratic South Africa would integrate with eastern and southern Africa. For the rest of Africa, bilateral arrangements would be the most likely outcome. That delegation also felt that the essential task now was to remove all remaining obstacles to the creation of an atmosphere conducive to constitutional negotiations. A critical element of that consensus was the phased application of appropriate economic pressure on South Africa.

Some delegations expressed agreement with the view taken in the Secretary-General's report on the potential contribution of TNCs in a post-apartheid South Africa. Future reports should define their role further, in particular in the field of training and entrepreneurship development.

A representative of a trade union organization stressed the valuable contribution of the Centre in the struggle for a united, non-racial, non-sexist, democratic South Africa. He deplored the haste with which Governments had rushed to relax sanctions. He stressed that high rates of employment growth would be essential to a post-apartheid South Africa. Collective bargaining would be needed to address the question of fair wages, and in that regard, a strong trade union movement would be crucial. The private sector must upgrade technology and training for new skills, while the Division of TNCs and Management must develop guidelines to encourage companies to accelerate the pace of change in training and education.

Action taken by the Commission

The Commission took note of the report on transnational corporations in South Africa (E/C.10/1992/6) and the report of the Secretary-General on transnational corporations with interests in South Africa (E/C.10/1992/7).

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Eighteenth session
23-25 January and 8-15 April 1992
Agenda item 10

ADOPTION OF THE REPORT OF THE COMMISSION ON THE SECOND PART OF ITS EIGHTEENTH SESSION

Rapporteur: Mr. Wojciech PONIKIEWSKI (Poland)

Draft report

Addendum

Chapter ___

GENERAL DISCUSSION ON TRANSNATIONAL CORPORATIONS IN THE WORLD ECONOMY AND TRENDS IN FOREIGN DIRECT INVESTMENT IN DEVELOPING COUNTRIES

1. The Commission considered item 4 of its agenda at the 1st to 3rd meetings of its resumed session, on 8 and 9 April 1992. It had before it the report of the Secretary-General on trends in foreign direct investment (E/C.10/1992/3); the report of the Secretary-General on transnational corporations and economic growth through technology (E/C.10/1992/4); and the report of the Secretary-General on transnational corporations in the new world economy: issues and policy implications (E/C.10/1992/5).

2. The Director of the Division of Transnational Corporations and Management, in his opening statement, said that the expansion of transnational corporations in a period of economic weakness in a number of large economies indicated that investment decisions of these firms were increasingly guided by long-range strategic considerations. At the same time, the Director stated that the continuing concentration of foreign direct investment in the developed market economies suggested the need for more concerted efforts to encourage investments in developing countries. In introducing the reports on this agenda item, the Acting Assistant Director for the Research and Policy

Analysis Branch of the Centre on Transnational Corporations in the Division, said that despite the growing role of foreign direct investment in world economy, most developing countries remained relatively marginalized, thus presenting a serious challenge for the world community. The activities of transnational corporations were crucial factors in accelerating the growth of developing countries and in the development and dissemination of technology. Finding ways of linking their activities to the needs of developing countries was a major concern. To this end, he stated that countries might want to consider ways of improving transparency in the area of foreign direct investment policies, for the benefit of both policy makers as well as potential investors.

3. Most delegations commented on the expanding role of transnational corporations in the world economy. A number of delegations from developed market economies described the substantial growth in both outflows of foreign direct investment from their countries and inflows into their countries. Several developing countries attributed the growth of inflows of foreign direct investment into their economies to policy initiatives and improvements in their economic situation. One delegation noted that an emphasis on national policies and market-based approaches towards foreign direct investment fostered free enterprise and initiative, and created a climate conducive to investment. One delegation discussed the factors leading to increased inflow of foreign direct investment and suggested additional research on the factors contributing to the success of certain investment locations which would benefit all host countries. Another delegation focused on the results of foreign direct investment, including economic growth, job creation and technology transfer. Regional integration was cited by one delegation as an important factor for increased inflows of foreign direct investment. The role of transnational corporations in integrating key economic activities across national borders was cited by several delegations as indicative of the growing importance of transnational corporations to future growth prospects throughout the world economy. One delegation suggested that investment represented the most stable and permanent form of economic interaction between nations.

4. Many delegations expressed concern about the persistent imbalances in global flows of foreign direct investment. Most delegations addressing the issue commented on the declining share of global flows going to developing countries, and the extremely low level of foreign direct investment in the least developed countries and most other countries in Africa. One delegation indicated that foreign direct investments going to Central and Eastern European countries should not be at the expense of developing countries. Some delegations drew attention to the fact that the absolute amount of foreign direct investment in developing countries had increased substantially. One delegation, speaking on behalf of a large number of developing countries, urged that greater efforts be undertaken to break the cycle of regional disparities, including efforts by home countries to educate transnational corporations regarding investment prospects in Africa and the least developed countries. Another delegation urged transnational corporations to adopt a long-term attitude towards those countries. One delegation stated that international institutions and home countries should adopt measures to increase the flow of foreign direct investment to least developed countries in

support of liberalization. The same delegation stressed the need for the establishment of regional investment centres to disseminate information on host country conditions. Another delegation suggested that more research be undertaken on the investment climate in host developing countries that have been successful in attracting foreign direct investment, which would serve as a guide for policy makers in other countries.

5. The continuing efforts on the part of host countries to liberalize their policy frameworks drew the attention of a large number of delegations. One delegation noted that market forces often worked slowly but that they were preferable to extensive interventions. Several delegations from developing countries and countries of Central and Eastern Europe described changes in their policy regimes, including the relaxation of restrictions on the operations of transnational corporations; efforts to facilitate the working of market forces, including privatization of State-owned enterprises; fiscal changes designed to reduce tax burdens and increase the profitability of investment; programmes to improve physical infrastructure and to develop human resources and more open trade regimes. Some delegations indicated that despite liberalization efforts, they had not received the amount of foreign direct investment they had expected. They requested that a study be conducted to determine other factors considered by transnational corporations when making investment decisions. One delegation stated that the decline in military expenditures and the need to convert military production facilities to civilian uses represented an opportunity for expanded foreign direct investment. Some delegations suggested that, keeping in mind the recent restructuring of the Economic and Social Council, the most valuable work of the Secretariat would continue to be institution-building in host countries. That, they stated, would result from a focus on analysis dialogue and technical cooperation.

6. Most delegations shared the view that technology was a critical determinant of economic growth of all countries. Technology, including physical goods, as well as know-how used in production and marketing, was closely interlinked with economic development.

7. Many delegations observed that transnational corporations had been the major actors in development of technologies and the principal sources of technologies acquired by developing countries. In the changed international context, transnational corporations had the potential to transfer technologies not merely through foreign direct investment, but also through a variety of other cooperative arrangements including joint ventures, trade and sub-contracting arrangements.

8. A number of delegations expressed the opinion that the growth-enhancing impact of technology transfer was ultimately dependent on the incentive structure faced by both foreign and domestic enterprises in acquiring, adapting, innovating upon and diffusing technologies. In this context, the importance of the creation of an enabling environment through host country public policies concerning physical infrastructure, human resources development, competition and R&D was emphasized. In many of these areas, complementary support from the international community was also needed.

9. One delegation expressed the concern that the growing tendency towards internalization of technology by transnational corporations through networks and alliances might pose a barrier to acquisition of technologies by developing countries. Another urged the need for lifting restrictions imposed by some developed countries on technology transfer, particularly in high technology industries.

10. A number of delegations suggested that a reporting system on laws, regulations and administrative guidelines affecting the activities of transnational corporations be established to increase the transparency of policy frameworks of host countries. One delegation, speaking on behalf of a group of countries, stated that the concept of transparency was useful and that it should be applied to both host countries and transnational corporations. In that context, another delegation stated that a catalogue of investment instruments would help countries that are seeking to attract larger amounts of foreign direct investment and potential investors. Two delegations said that the efforts involved in creating a reporting system were substantial and could duplicate efforts being undertaken in other organizations. Another delegation said that such efforts were useful and should be undertaken in concert with other international organizations.

11. In concluding the session, the Director stated that the Division already had extensive working arrangements with other organizations and would make all efforts to avoid duplication in devising its methodology for obtaining information on policy issues. The Acting Assistant Director, responding to a number of research issues raised during the discussion, stated that other international organizations had already been consulted and no other organization was assembling systematically and authoritatively policy information on foreign direct investment. He further noted that a more comprehensive research on the role of transnational corporations in economic growth was near completion. He stated that the importance of locational factors and of policy issues as determinants of foreign direct investment required ongoing research efforts, and that the general question of the role of foreign direct investment in increasing the competitiveness of nations and of firms would continue to receive attention in the Centre's research agenda.

Action taken by the Commission

12. The Commission took note of the reports of the Secretary-General on trends in foreign direct investment (E/C.10/1992/3); on transnational corporations and economic growth through technology (E/C.10/1992/4); and on transnational corporations in the new world economy, issues and policy implications (E/C.10/1992/5). The Commission commended them for their analytical merit. It requested the Secretariat to continue its work on foreign direct investment and the role of transnational corporations in development and submit to the Commission on Transnational Corporations at its nineteenth session reports dealing with those matters.

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COMMISSION ON TRANSNATIONAL CORPORATIONS
Eighteenth session
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Agenda item 10

ADOPTION OF THE REPORT OF THE COMMISSION ON THE SECOND PART OF ITS EIGHTEENTH SESSION

Rapporteur: Mr. Wojciech PONIKIEWSKI (Poland)

Draft report

Addendum

Chapter ___

INTERNATIONAL ARRANGEMENTS AND AGREEMENTS RELATING TO TRANSNATIONAL CORPORATIONS

1. The Commission considered item 6 of its provisional agenda at its seventh and eight meetings, on 10 and 13 April 1992. It had before it the report of the Secretary-General on the international framework for transnational corporations (E/C.10/1992/8).

2. The Assistant Director of Transnational Corporations and Management Division in her introductory remarks, noted that one of the main tasks assigned to the Commission on Transnational Corporations was to examine how transnational corporations interacted with States and to seek generally accepted standards for their activities and their treatment by Governments, with a view to facilitate their interaction with Governments. Although an agreed global set of standards had not yet emerged from these efforts, the work of the Commission had significantly contributed to a broad consensus on most issues. She stressed that the policy environment for foreign investment in developing countries and Central and Eastern European States had changed dramatically in recent years, mainly in response to changing economic conditions. Those changes reflected not only changing perceptions of the role

of investors and Governments and the impact of market forces, but also new challenges that an international framework should address. Consequently, the report of the Commission on that agenda item for the current year attempted to provide a realistic analysis of the existing international framework on foreign direct investment and its relevance for present policy concerns in the area. The report found that most basic principles, which had been already established in previous decades remained valid, though the manner in which some of those standards were now being used, interpreted and applied by Governments and transnational corporations in the pursuance of their current policy objectives might be different. At the same time, the enormous turnabout in the prevailing economic climate in Eastern Europe and in many developing countries had given a new perspective to traditional issues and defined other important ones. Increased, if not new, emphasis was now being placed on the regulation of certain aspects, such as privatization and competition. The need for adequate supervision of international securities exchange and financial markets had been emphasized by recent events. Similarly, the problem of corrupt practices in international transactions was not new but, in many respects, it had been aggravated by the complexity of current economic exchanges. Those trends and the variety of instruments originating from the intensified normative activity that was now taking place within and between regional institutions enhanced the need for elaborating a comprehensive, balanced and universal framework of principles and standards affecting foreign direct investment and transnational corporation activity. A global framework would thus integrate and consolidate what had been achieved so far and would address also the new issues arising in the international agenda.

3. There was no discussion under this agenda item, although several delegations referred to the issues related to international arrangements and agreements under other agenda items.

Chapter ___

QUESTION OF EXPERT ADVISERS

4. The Commission considered item 8 of its provisional agenda at its 8th meeting, on 13 April 1992.

5. The Director of Transnational Corporations and Management Division indicated that the selection of expert advisers to the Commission on Transnational Corporations, which took place every two years, was one of the tasks before the Commission at the present session. He observed that the group of independent experts was a unique feature of the Commission. It was created to assist the Commission and the Centre in providing advice on matters under consideration. In that way, the multidisciplinary nature of the Commission was enhanced. As in the past, the present group of expert advisers had contributed in significant ways to the implementation of the Commission's mandate and were also helpful in designing and interpreting major aspects of the Centre's work programme. The Director expressed his gratitude in particular to those expert advisers who were retiring at this session for their dedication to the goals of the Commission and for so generously sharing their knowledge and experience.

6. He then referred to the nominees for expert advisers. He observed that the names of candidates from business and other backgrounds were not included, since their nominations could not be confirmed in time before the meeting. Therefore, he proposed that the Commission leave those positions open and authorize the Director of the Division, in consultation with the Chairman of the Commission, to fill those positions as soon as the nominations were confirmed.

Action taken by the Commission

7. The Commission:

(a) Thanked the retiring expert advisers for their valuable contribution and decided to select the following expert advisers to serve until the end of the twentieth session:

Academic background

Mr. Peter HANSEN (Denmark)	Born:	1941
	Education:	Ph.D., Economics, Law and Politics, Aarhns University
	Present post:	Professor at the Copenhagen School of Economics

	Posts held:	Executive Director of the United Nations Centre on Transnational Corporations; Professor of Social Sciences, Odense University; Assistant Professor, Odense University
Mr. Ivan IVANOV (Russian Federation)	Born:	1934
	Education:	Ph.D., Economics, University of Moscow
	Present post:	Deputy Director, Institute of Foreign Economic Studies, Moscow
	Posts held:	Chief of Economics Department, State Foreign Economic Commission of the Soviet Council of Ministers; Professor at the Institute of World Economy and International Relations, Moscow; UNCTAD Secretariat, Economic Affairs Officer; Institute of the United States and Canadian Studies, Moscow, Chief of Division

(b) Authorized the Director of the Divison, in consultation with the Chairman of the Commission, to fill in the positions of other vacant posts for expert advisers as soon as the nominations are confirmed.

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Agenda item 10

ADOPTION OF THE REPORT OF THE COMMISSION ON THE SECOND PART OF ITS EIGHTEENTH SESSION

Rapporteur: Mr. Wojciech PONIKIEWSKI (Poland)

Draft report

Addendum

Chapter ____

ACTIVITIES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS

1. The Commission considered agenda item 7 at its 7th, 8th and 9th meetings, on 10 and 13 April 1991. It had before it the following documents:

(a) Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1992/9);

(b) Report of the Secretary-General on experience gained in technical cooperation activities involving assistance in formulating negotiation strategies (E/C.10/1992/10);

(c) Report of the Secretary-General on information requirements for assessing the performance of corporate obligations (E/C.10/1992/11);

(d) Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its tenth session (E/C.10/1992/12).

2. The Assistant Director in charge of Advisory and Training Services introduced the Secretary-General's report on experiences gained in technical cooperation activities involving assistance in formulating negotiating strategies.

3. In the discussion that followed, the delegations stressed the importance, value and effectiveness of the Centre's technical cooperation programme, despite its limited resources. Some of them expressed the hope that the recent restructuring of the Secretariat would not limit this effectiveness, but would enhance it.

4. Several delegations identified specific advisory and training services of which they were recipients and expressed their appreciation for the Centre's expeditious response to requests for assistance. Many delegations expressed interest in increased activities in technical assistance by the Centre. In this regard, a number of delegations made particular mention of certain programmes or activities, including assistance to entrepreneurs in developing countries; assistance in formulating privatization and deregulation programmes; and support of interregional, regional and subregional integration, as well as institutional development related to foreign investment.

5. Several delegations made specific suggestions to improve the delivery and reporting of the Centre's technical cooperation programme including the holding of regional round-tables for private investors and government officials to address issues concerning their relationship; expanding the Centre's work in the area of good governance with the aim of securing an international agreement on curtailing the use of illicit payments; and undertaking detailed project evaluations to assess expenditures incurred and benefits accrued.

6. In introducing the item as it related to the comprehensive information system on transnational corporation, an Assistant Director in charge of the information services noted the significance of effective collection and use of information in ensuring the implementation of contractual obligations by host countries and transnational corporations for the benefit of both parties involved. He also suggested that information was an important tool for ensuring transparency and accountability of international business operations. The Assistant Director drew attention to a number of specific suggestions, contained in the paper presented, aimed at making better use of the available information and enhancing national information frameworks. He said that the development of knowledge and skills to identify and to effectively use information, including data on financial, operational, environmental and developmental impact, could considerably narrow the existing information imbalance between developed and developing countries. Transnationalization reflected the fact that many companies operated within many different jurisdictions and legal frameworks. That was a cause of serious difficulty in tracking the performance of corporate obligations. In this regard the Assistant Director introduced, for the consideration of the Commission action-oriented recommendations to amend the situation. He assured the Commission that the Division would continue to serve emerging information needs of a variety of users.

7. A number of delegations expressed their satisfaction with the Centre's work in the collection and dissemination of information. In the view of these delegations, that activity benefited host countries, home countries and transnational corporations as potential investors, particularly by contributing to the negotiating capability of host countries. Some delegations recommended that the information function of the Centre be reinforced and further expanded in the interest of all member States.

8. Some delegations stressed that the objective and reliable information was of special importance for many business arrangements. Another delegation commended the timeliness and expeditiousness of the Centre's information services. Another delegation expressed its appreciation for the publications Transnational Business Information: A Manual of Needs and Uses and Transnational Corporations: A Selective Bibliography which had proved to be valuable to Governments and local users, including universities and research institutions. One delegation noted that document E/C.10/1992/9 indicated an obvious need on the part of the information system's users for macroeconomic information and for information on industries and individual companies, and called for a response to the requirement by expanding that segment of the information services.

9. Some delegations viewed the access to data and information as a factor contributing to the negotiating capacity of developing countries. Those delegations were of the view that document E/C.10/1992/11 was useful, informative and well presented. They also felt that the policy issues addressed in the Secretary-General's report, such as those related to transfer pricing, were of equal concern to both host and home countries. Several delegations were of the opinion that further work should be done by the Centre to collect, disseminate and analyse information on financial, operational, and development impacts of transnational enterprises, and the overall economic environment that would assist countries in developing and implementing appropriate regulatory frameworks.

10. A number of requests were also made with regard to future information activities of the Division, particularly to prepare manuals on information needs and reporting requirements; to assist and advise in locating sources of necessary information; to analyse the information flows in developing countries and advise on the ways to improve them; and to conduct seminars and workshops for officials and local directors of joint venture companies and other local entities.

11. The Assistant Director for Accounting and Information described the activities of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting. Interest in that work had increased markedly owing to needs arising from the globalization of capital markets, the transition of planned economies to market economies and pressure for increased accountability in developing countries. Consequently, the Division had carried out, on behalf of the Group, an extensive programme of research and technical cooperation, and had prepared reports on global and national accounting issues, environmental accounting, privatization and accounting education for the tenth session of the Group, held in March 1992. In

addition, the Division supported a programme of technical cooperation in the former Soviet Union that included: producing a new chart of accounts to conform to international accounting standards, and training accounting professors and practitioners, as well as over 400 university students, in western accounting methods.

12. A number of delegates commended the Division for the high quality of its research and technical cooperation in the area of accounting. During the past year, the Division and the Group had made considerable efforts to ensure that the conditions for renewal of the Group's mandate were filled and, specifically, that the work would take on a more operational focus. One delegation commended the Division and the Group for their work on environmental accounting and the recommendations finalized by the Group during the year. The delegation emphasized that enterprises must improve information disclosure on their environmental activities, if their financial statements were to represent a true and fair view of the enterprise's performance. The Group was also commended for its work on privatization, as the document produced for the tenth session provided important guidance for countries in transition (E/C.10/AC.3/1992/5/Add.1-7).

13. Most of the delegations speaking on this agenda item commended the high quality of the Centre's research, technical cooperation and information services. A number of delegations expressed their hope that the recent integration of the Centre into the new Division on Transnational Corporations and Management would lead to an enhancement of its capacity to carry out its mandate subject and that it would be provided with the necessary resources to effectively meet its broad and multifaceted mandate.

14. One delegation, speaking on behalf of the group of developing countries, made a statement in which he expressed their appreciation of the Centre's substantive contribution to the debate on international economic relations. He said that the restructuring of the Secretariat in no way had affected the mandate of the programme on transnational corporations and the new Division on Transnational Corporations and Management should continue to serve as the focal point for all activities related to transnational corporations and foreign direct investment. The recent changes in the structure of international economic relations, he said, had created conditions that placed transnational corporations in a position to play a central developmental role. Developing countries could benefit from the evolving role of transnational corporations by improving their understanding of the operational and policy aspects of those entities, the area to which the new Division might especially contribute. He also urged the Division to strengthen and elaborate technical cooperation activities, particularly those relating to advisory services, expert assistance in contract negotiations, and to training and human resource development. This speaker also commended the work of the Centre on environment and climate change, and on the collaborative project with UNCTAD on the interrelationship between migration and foreign direct investment. He suggested that the practice be continued of panel discussions and presentations by expert advisers to assist the Commission in understanding various perspectives and issues relating to foreign direct investment and the activities of transnational corporations. The group of developing countries

also felt that the Centre, in view of its neutral role, could assist them in identifying experts for advisory services to develop appropriate fiscal regimes and investment strategies and, on request, to attract foreign direct investment.

15. One delegation from a developed country supported the goals of the programme on transnational corporations identified by the Director in his introductory statement, namely of assistance to Governments in supporting the functions of markets, mobilizing human resources, and encouraging entrepreneurial activities. This delegation urged the Secretariat to adopt as a benchmark for its work programme the criteria of supporting national policies and market-based approaches which would foster free enterprise and initiative and create climate conducive to investment. The same delegation suggested that the Department of Economic and Social Development relinquish environmental issues, including those related to environmental accounting, to those other United Nations bodies that had a mandate and more appropriate resources for addressing those matters. This delegation stated also that in the context of strengthening the host countries' capabilities in dealing with matters related to foreign investment no United Nations body should countenance a member State adopting performance requirements contrary to GATT rules. The delegation also reminded the Commission that no contracting process could substitute for a transparent and effective legal and regulatory regime.

16. Another delegation stated that the Centre's work was significant not only as a way of furthering the understanding of the phenomenon of transnationalization but as an effective contribution to international cooperation as it related to foreign direct investment. This delegation was particularly appreciative of the Centre's broad programme of technical cooperation, specifically in the areas of expert assessment of proposed laws and regulations on foreign direct investment, and provision of host countries with verified and reliable information on foreign investment partners and foreign investment regulations elsewhere in the world. Some delegations confirmed their approval of the scope of the programme on transnational corporations as formulated in the medium-term plan for the period 1992-1997, which they felt was extensive but realistic and responsive to interests of all the Member States.

17. A delegation from a least developed country spoke of the Centre's critical role in fostering an equitable and harmonious investment climate, particularly in the developing countries. In this regard he referred to the Centre's assistance to his country in finalizing a mining agreement with a transnational corporation and in reviewing existing national legislation for the mining and petroleum sectors. This delegation suggested that the Centre should give more attention to possible environmental implications of the activities of transnational corporations, particularly by strengthening the negotiating capacity of developing countries in this area.

18. One delegation from a country in transition spoke of the particular importance of the Centre's technical cooperation programme which, inter alia, addressed policies aimed at the reintegration of countries of Central and Eastern Europe into the world market; facilitated privatization efforts and accountancy development; assisted in the establishment of free economic zones and in the designing of appropriate regulatory frameworks on foreign direct investment. He expressed hope that the programme on transnational corporations would continue to help countries that were facing the unprecedented challenges of economic transformation, often associated with considerable social and political tensions. He particularly urged the Division to increase its efforts in the area of privatization by undertaking relevant research, collecting and dissemination of information on privatization laws and regulations, and undertaking training.

19. Most delegations recognized the importance of creating a favourable climate for foreign investment and underlined recent efforts undertaken by their respective Governments to that effect. In an increasingly interrelated world economy, those efforts involved coordination and cooperation of policies at the bilateral, regional and multilateral levels.

20. One delegation noted that in the area of international arrangements and agreements relating to transnational corporations the report of the Secretary-General (E/C.10/1992/8) had made several welcome suggestions for promoting dialogue and analysis by the Commission members, most notably on such aspects as privatization and competition, transfer pricing and corrupt practices in international transactions. The delegation stressed its support of the development of further work in those subjects within the context of the ongoing review of the work programme, to assure the relevance and pertinence of the work programme to the mandate of the Commission but also to the changing global scene. Another delegation, noting that the work on the code of conduct on transnational corporations was begun a decade ago, said that during that decade, developing countries had faced all the market problems that developed countries had experienced. In response to those problems the developed countries had established a regulatory infrastructure for transnational corporations. In his view, to ignore the development of the code would waste the efforts channelled into its drafting over the years. A balanced Code addressing the responsibilities of transnational corporations and Governments was necessary and should be adopted.

21. An expert adviser made a statement on behalf of the group of expert advisers. He said that throughout the years the Centre had developed a unique expertise, knowledge and professional skills which should not be lost or dispersed. The new Division on Transnational Corporations and Management, which fully maintained the mandate of the United Nations Centre on Transnational Corporations, should continue to serve as the focal point within the United Nations system on the issues related to foreign direct investment world-wide. Moreover, in the opinion of the expert advisers, the activities of the Division should be compatible in their dimension to the increased role of foreign direct investment and transnational corporations in both the world economy and international economic relations, and their impact on the global economic development.

22. A representative of Greenpeace International made a statement in which he strongly advised the Division on Transnational Corporations and Management to undertake a programme of work on the environmental impact of the activities of transnational corporations. In his view, it was essential that the international community take the necessary steps to hold transnational corporations accountable for their environmental and developmental practices.

23. The representative of the International Chamber of Commerce and the International Organization of Employers considered that the report of the Secretary-General contained a helpful review of the international framework within which transnational corporations operated. In particular, it recognized that far-reaching changes had taken place in that area, and called attention to the manner in which many States now interpreted and applied principles as they moved to liberalize previous restrictions. It called attention to a number of issues that were either being given new emphasis or being examined from different perspectives than in recent decades. In his view, however, the report could have made reference to the pioneering work of ICC and the international business community in that area with the adoption of the Guidelines for International Investment as early as 1974. Also, more emphasis could have been placed on the important role of the spreading network of bilateral investment treaties in the evolution of international standards on foreign direct investment. He questioned whether the rather strict categorization of issues into those which are settled and those on which consensus is still to be achieved holds in all cases, and questioned the need for further work on the code.

24. One Expert Adviser to the Commission observed that the world had entered a new phase of international economic relations, as a result of the fundamental changes taking place in many regions. Following those changes, there had been a deregulation of financial markets in many countries, thus, leaving more freedom for the market forces to find solutions and adjustments. But even if self-regulation could be sufficient in the majority of cases, it would not be sufficient in all situations. In those cases where the market rules did not follow the rules of elementary ethics certain international standards were needed to fill the void. Also in those few cases when enterprises did not follow market rules there was a risk of upsetting the confidence in the economic system and hurting other nationals, working people and other enterprises. In his view, with national markets becoming less regulated, the need for a global international instrument that helped to set international standards became more urgent. While acknowledging the existence of some international instruments in that area, the observer from ICC noted that the problem with those instruments was that they were neither universal nor comprehensive because they covered only a handful of States and, normally, a single issue. Therefore, in his view, there was still a vacuum, which should be filled with a global, comprehensive instrument at the United Nations level. Another expert adviser echoed these ideas and stressed that the Commission and the Secretariat had an important role to play in bringing to the attention of Governments the need for clear and more harmonized rules for both the conduct and the treatment of transnational corporations. In the opinion of this expert adviser, the work of the Secretariat on those issues had to continue.

25. The representative of the International Confederation of Free Trade Unions noted that the United Nations Code of Conduct was the only attempt to negotiate a comprehensive, balanced and universal framework for foreign direct investment. This was a principal activity of the United Nations Commission on Transnational Corporations and the former Centre and it should continue to be so under the new structure. He noted that it appeared that the only missing element in achieving such a framework was the political will to conclude negotiations for the code. Noting that the thematic relevance of the code has been questioned by some Governments, he expressed the view that such concerns did not hold since the code (because of the way it was negotiated) conferred political legitimacy and recognition to the role of foreign direct investment in development long sought by the business community. Moreover, he observed, the profound changes in the international economy reinforced, rather than obviated, the need for a code. Minimum standards regarding information disclosure, environmental and consumer protection, labour relations were necessary. Because such standards would be universally applicable, they would not discourage but rather enhance foreign direct investment. The Confederation never viewed the code as the last word in North-South relations but as a first step in a process of greater intergovernmental cooperation and in government-transnational corporations understanding. If the code negotiations were not resumed, the issues that the code dealt with would remain unresolved.

Action taken by the Commission

26. The Commission:

(a) Took note of the reports of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1992/9); on experience gained in technical cooperation activities involving assistance in formulating negotiating strategies (E/C.10/1992/10); on information requirements for assessing the performance of corporate obligations (E/C.10/1992/11), and the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its tenth session (E/C.10/1992/12);

(b) Requested the Secretary-General to take into account, in the future work of the Division on Transnational Corporations and Management as it relates to the programme on transnational corporations, the views expressed by delegations at its eighteenth session and to submit to the Commission at its nineteenth session a report on the implementation of the United Nations programme on transnational corporations, to account also for the activities of joint units established with the regional commissions.

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Agenda item 7

ACTIVITIES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS AND ITS JOINT UNITS

Argentina, Poland, Romania, Russian Federation, United States of America and Uruguay: draft resolution

Activities of the United Nations Centre on Transnational Corporations

Privatization and foreign investment

The Commission on Transnational Corporations,

Recognizing the fact that numerous countries attach growing importance to deregulation, the privatization of enterprises, competition and demonopolization of their economic activities as means to increase economic growth and development,

Stressing the important role that investment - in particular, foreign investment - can play in the processes of privatization in these countries,

Taking into account the difficulties these countries encounter in the processes of privatization, deregulation and demonopolization of their economic activities, inter alia, owing to lack of developed capital markets, managerial skills, adequate infrastructure and means of valuating assets,

Noting the work the United Nations Centre on Transnational Corporations has performed so far in analysing new approaches to the processes of privatization, deregulation and demonopolization of economic activities, such as debt equity swaps,

1. Requests the Secretary-General, in coordination with appropriate international organizations acting in this area, to enhance technical cooperation activities in order to assist interested countries in implementing their privatization, demonopolization and deregulation strategies, through, where appropriate, stronger involvement of the business community, foreign investment and transnational corporations;

2. Invites the Secretary-General to further explore new approaches and case-by-case studies of foreign investment to the privatization and deregulation processes and to the demonopolization of economic activities, including, inter alia, the utilization of debt equity swaps in these processes;

3. Recognizes the need to diversify sources of funding for research and technical cooperation activities and, to that end, invites voluntary contributions to the Trust Fund for the United Nations Centre on Transnational Corporations Technical Cooperation Programme, and requests the Secretary-General to seek to mobilize resources from various sources, including non-governmental organizations, and to report the results to the Commission at its twentieth session.

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ACTIVITIES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS AND ITS JOINT UNITS

Draft resolution submitted by the Vice-Chairman of the Commission, Mr. Albert Mudenda Muchanga (Zambia), as a result of informal consultations held on draft resolution E/C.10/1992/L.9

Privatization and foreign investment in the context of economic restructuring

The Economic and Social Council,

Recognizing the fact that numerous countries attach growing importance to privatization of enterprises, administrative deregulation, increased competition, open markets and demonopolization of their economic activities as means to increase economic efficiency, growth and development, in the context of their economic restructuring policies,

Stressing the important role that foreign direct investment can play in the process of privatization in these countries,

Taking note of the difficulties these countries encounter in the process of privatization, administrative deregulation and demonopolization of their economic activities,

Noting the work the United Nations Centre on Transnational Corporations has performed so far in analysing new approaches to the process of privatization, administrative deregulation and demonopolization of economic activities,

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1. Requests the Secretary-General, in coordination with other relevant international organizations, to enhance technical cooperation activities in order to assist all interested countries in attracting foreign investment and transnational corporations to contribute to the implementation of privatization programmes, in the context of their economic reforms;

2. Invites the Secretary-General to further explore new approaches through case-by-case studies of foreign investment to the privatization and deregulation processes and to the demonopolization of economic activities;

3. Recognizes the need to diversify sources of funding for research and technical cooperation activities and, to that end, invites voluntary contributions to the Trust Fund of the United Nations Centre on Transnational Corporations technical cooperation programme, and requests the Secretary-General to seek to mobilize resources from various sources, including non-governmental organizations, and to report the results to the Commission at its twentieth session.

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Agenda items 3, 6 and 7

GENERAL DISCUSSION ON TRANSNATIONAL CORPORATIONS IN THE WORLD ECONOMY AND TRENDS IN FOREIGN DIRECT INVESTMENT IN DEVELOPING COUNTRIES

INTERNATIONAL ARRANGEMENTS AND AGREEMENTS RELATING TO TRANSNATIONAL CORPORATIONS

ACTIVITIES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS AND ITS JOINT UNITS

Draft resolution submitted by the Vice-Chairman of the Commission, Mr. Albert Mudenda Muchanga (Zambia), as a result of informal consultations held on draft resolution E/C.10/1992/L.6

Activities of the United Nations Centre on Transnational Corporations and of its successor, the Transnational Corporations and Management Division

The Economic and Social Council,

1. Takes note of the reports of the Secretary-General on trends in foreign direct investment; transnational corporations and economic growth through technology; transnational corporations in the new world economy: issues and policy implications; the international framework for transnational corporations; and the activities of the United Nations Centre on Transnational Corporations and its joint units;

2. Reaffirms that the Commission on Transnational Corporations and the Transnational Corporations and Management Division of the Department of Economic and Social Development of the United Nations Secretariat are focal

points within the United Nations system for matters concerning foreign direct investment as it relates to transnational corporations and that the mandate of the former United Nations Centre on Transnational Corporations is subsumed under this Division;

3. Emphasizes the importance of the research, technical cooperation, advisory services, training programmes and information services provided by the United Nations Centre on Transnational Corporations to the States Members of the United Nations, and, to this end, affirms the importance of maintaining these activities and programmes as well as improving upon them as appropriate under the new administrative arrangements;

4. Notes the need for the Commission to examine, during its next session, the activities and programme of work of the Division in the field of foreign direct investment as it relates to transnational corporations in order to ensure coordination with, and avoid duplication of, the activities of other United Nations bodies;

5. Stresses the importance of transparency in the area of foreign direct investment, and requests the Division to contribute towards increasing this transparency in the framework of its technical assistance and information activities;

6. Takes note of the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, and reaffirms the importance of its work in contributing towards greater transparency in the activities of transnational corporations;

7. Requests the Division to assist developing countries in the creation of a favourable investment climate and, to that end, in the development of their endogenous capacity conducive to the encouragement of foreign investment;

8. Also requests the Division to continue to include in its technical cooperation activities advice on the interrelationship between foreign direct investment and interregional, regional and subregional economic integration;

9. Further requests the Division to examine ways and means of assisting Member States, in particular developing countries, in attracting foreign investment, inter alia, through the setting-up of joint ventures and free economic zones;

10. Calls upon the Division to strengthen its work concerning cooperation in the transfer of technology;

11. Requests the Division to strengthen its activities in matters relating to the role of transnational corporations in the development of small and medium-sized enterprises;

12. Also requests the Division to study the effects of deregulation and privatization policies in developing countries on attracting foreign direct investment flows and, in this context, to make appropriate recommendations thereon;

13. Takes note of the consultations being undertaken by the President of the General Assembly in accordance with General Assembly resolution 45/186 entitled "Code of conduct on transnational corporations";

14. Encourages the Division to strengthen and further develop the functions of the joint units established with the regional commissions, especially by developing programmes that are adapted to the needs of the respective regions;

15. Invites donor countries, particularly developed countries, to provide extra financial support for the research, advisory and information work of the Division so as to further contribute to a better understanding between transnational corporations and developing countries;

16. Requests the Division to pay attention in particular to developing countries, especially least developed countries and other countries in \frica that have faced a drop in foreign direct investment inflows, and to report thereon to the Commission on Transnational Corporations at its nineteenth session;

17. Takes note of the conclusions of the Hague Symposium on Globalization and Developing Countries, and requests the Secretary-General, in collaboration with the United Nations Conference on Trade and Development and other organizations, to develop a joint programme on the interrelationship of investment, trade, technology and development, with a view to enhancing the contribution of transnational corporations to the development of developing countries through trade and investment, for consideration by the Commission on Transnational Corporations at its nineteenth session.